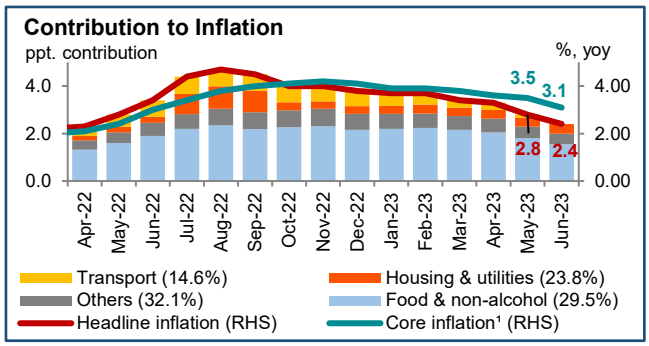
BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Monthly Highlights
June 2023

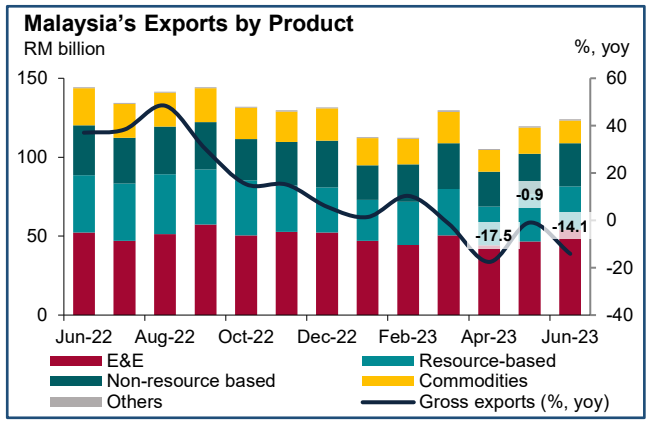
Headline inflation continued to decline to 2.4% in June



- Headline inflation declined to 2.4% (May 2023: 2.8%). This moderation was largely due to lower inflation for core CPI components (-0.3 percentage points, ppt) and fuel (-0.1ppt).
- The moderation in core inflation (June 2023: 3.1%; May 2023 3.5%) was mainly due to lower inflation for some discretionary services, particularly food away from home.

[1] Core inflation is computed by excluding price-volatile and price-administered items.
Source: Department of Statistics, Malaysia (DOSM), Bank Negara Malaysia estimates

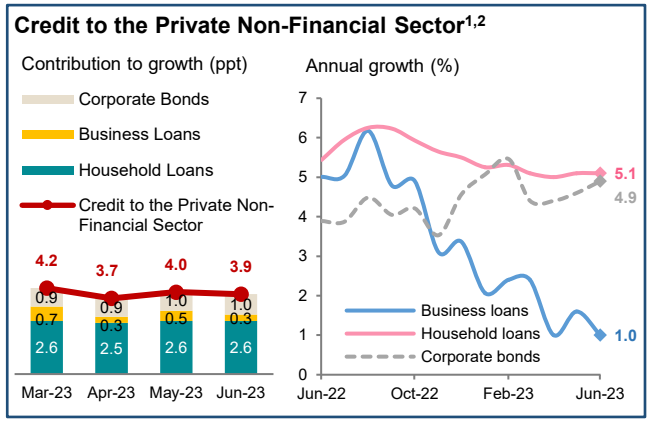
Exports declined in June



- Exports contracted by 14.1% (May 2023: -0.9%) in June 2023 reflecting weaker external demand, a decline in commodity prices and a high base effect from 2022.
- Manufactured export growth was weighed down mainly by petroleum products and palm oil-based products. Commodities exports declined due to lower shipments of palm oil, LNG and crude petroleum.

Source: Department of Statistics, Malaysia (DOSM), MATRADE

Sustained credit growth in June, despite slower growth in business loans



- Credit to the private non-financial sector was broadly sustained (3.9%; May 2023: 4.0%) despite slower expansion in credit to businesses (2.6%; May 2023: 2.8%).
- Growth in outstanding business loans moderated to 1.0% (May 2023: 1.6%), following slower growth in working capital loans among non-SMEs. Growth in outstanding corporate bonds, however, improved slightly to 4.9% (May 2023: 4.6%).
- For households, outstanding loan growth was unchanged at 5.1%, with sustained growth across most loan purposes. Notwithstanding this, loan applications recorded slower growth, particularly for the purchase of houses and personal use, partly due to the high base effect from a strong increase in June 2022.

[1] Comprises loans to households and non-financial corporations from the banking system and development financial institutions (DFIs), and corporate bonds issued by non-financial corporations (including short-term papers).
[2] Starting with the publication of December 2022 Monthly Highlights and Statistics (MHS), this series was introduced to enhance the quality of financing data. This new data series is available in the MHS Table 2.18.
Source: Bank Negara Malaysia

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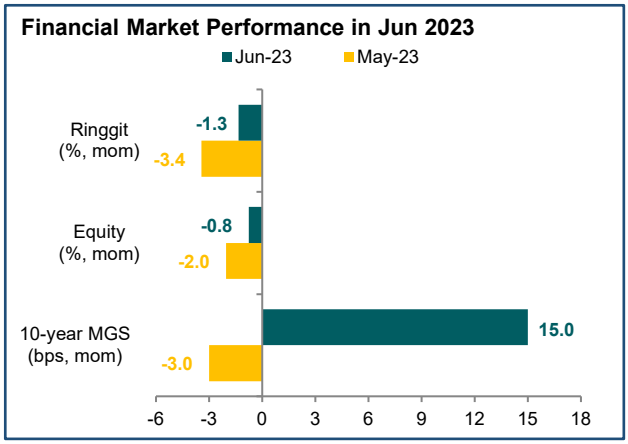
Monthly Highlights
June 2023

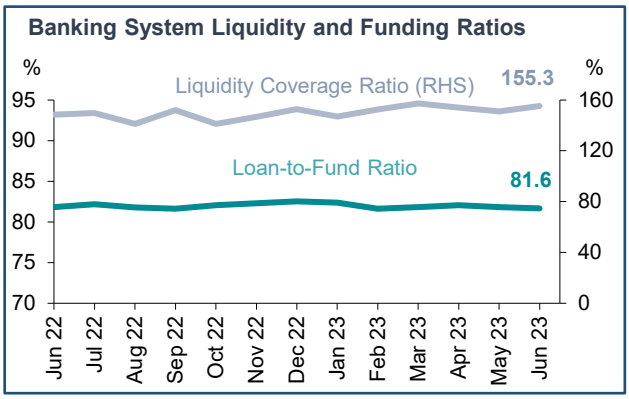
Domestic financial markets remained mostly driven by external factors



Note: The exchange rate data is the noon-rate in the Kuala Lumpur Interbank Foreign Exchange Market
*Regional countries comprise: Singapore, Thailand, Philippines, Indonesia, and Korea
Source: Bank Negara Malaysia, Bursa Malaysia

- Global financial sentiments were weighed down by concerns over the global growth outlook due to weaker-than-expected economic recovery in China. This was further compounded by slower economic activity in Europe and weak corporate earnings.
- The ringgit depreciated against the US dollar by 1.3% (regional* average: -0.1%) while the FBM KLCI declined by 0.8% (regional* average: -0.1%) in June.
- Meanwhile, in tandem with global bond yields, the 10-year MGS yields rose by 15 bps, following indication of tighter monetary policy stance going forward by the US Federal Reserve.

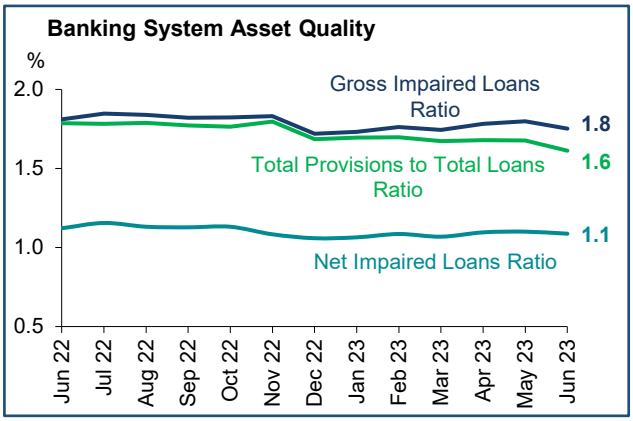
Banks maintained strong liquidity and funding positions to support intermediation



Source: Bank Negara Malaysia

- Banks continue to record healthy liquidity buffers with the aggregate Liquidity Coverage Ratio at 155.3% (May 2023: 151.0%).
- The aggregate loan-to-fund ratio remained broadly stable at 81.6% (May 2023: 81.8%).

Asset quality in the banking system remained intact



Source: Bank Negara Malaysia

- Overall gross and net impaired loans ratios remained broadly unchanged at 1.75% (May 2023: 1.80%) and 1.09% (May 2023: 1.10%), respectively.
- Loan loss coverage ratio (including regulatory reserves) continues to be at a prudent level of 116.2% of impaired loans, with total provisions accounting for 1.6% of total loans.

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